

THE LENDER'S ADVANTAGE

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The Lender's Advantage

A publication for the West Virginia lending community by the U.S. Small Business Administration's West Virginia District Office

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Helping small businesses
start, grow and succeed.



Your Small Business Resource

DISTRICT DIRECTORS CORNER SBA IS HERE TO HELP



The small business community remains our top priority. We are working with lenders and small businesses throughout West Virginia to better understand how we can work together. We recognize that small businesses face increased challenges during this economic downturn. SBA can help.

Think about using an SBA loan guarantee. That is what we are here for, to help mitigate the risk and lessen the exposure lenders have to take. Our lending programs can assist during times we presently are experiencing. Small businesses are the backbone of America and we should utilize every tool we have to support them, especially now.

We have just rolled out a new lending program which makes it easier for you to use an SBA loan guarantee. Rural Lender Advantage, designed for lenders that do fewer than twenty SBA guaranty loans per year, features a shorter, simplified application for loans of \$350,000 or less. In 2008, the average West Virginia SBA loan was \$137,500 and all but three lenders made fewer than twenty loans. That makes it a perfect program for our lending community.

I want to thank the 40 lending institutions that used the 7(a) and 504 loan programs to provide 216 loans totaling \$29,699,957 to help meet West Virginia's entrepreneurial financial needs. Thank you for providing fuel to our most vital resource, the small business community.

Our top performers for 2008 are: **Huntington National Bank** in the Large/National Bank category, and overall **Top Lender** for the second year in a row, with 44 loans for \$1,403,300; and **First State Bank** in the Community Bank category for the third year in a row, with 15 loans for \$2,262,900. The complete ranking can be found under Lender Rankings on our Financing web page at: www.sba.gov/localresources/district/wv/financing/index.html.

Please remember the date of Friday, November 28, 2008. That is the deadline for our 2009 Small Business Week nominations. Details are on the last page.

RURAL LENDER ADVANTAGE TRAINING

Tom White provided training on SBA's Small and Rural Lender Advantage program via two Webinars on October 20 and 22. The program, targeted for small SBA volume lenders (20 or fewer SBA loans per year), is an excellent enhancement for a majority of West Virginia's lenders as it provides a shorter, simplified loan application for commercial loans of \$350,000 or less. There will be two additional sessions at 10:00 a.m. on November 17 and 19. Contact Tom to schedule personalized training for your commercial lending division. Questions can also be directed to Tom at (304) 623-5631 ext. 233 or via email at thomas.white@sba.gov.

Webinar

November 17 and 19

10:00 a.m.

Call 1-866-740-1260

Access Code: 3039003

Web Site:

www.readytalk.com

WHY SHOULD LENDERS USE THE SBA 7(A) LOAN PROGRAM

During the current economic period the SBA 7(a) loan may be an ideal product for reaching new customers. When business lending risk increases through stages of a credit cycle, the 7(a) program may be a valuable risk mitigant. In previous economic downturns, the 7(a) program has been counter-cyclical in nature, increasing in loan volume when economic growth slowed.

7(a) borrowers often have limited collateral, need a longer maturity, or lack sufficient equity to qualify under a bank's general underwriting criteria. Rather than turning someone down for a conventional loan, banks can offer eligible applicants 7(a) loans. Some lenders report that enterprises starting with 7(a) loans transitioned to conventional lending services once their businesses became more established and required additional financing to grow. Furthermore, 7(a) borrowers may open additional accounts with their lending institutions, establishing full banking relationships, such as checking and payroll accounts.



There are several ways the 7(a) program can help increase bank profitability. By minimizing credit risk, this product allows banks to earn interest on loans they might not have otherwise made. Additionally, the guaranteed and the un-guaranteed portion of a 7(a) loan can be sold on the secondary market. This process can generate fees typically ranging from 4 percent to 6 percent of the loan, depending on rate, maturity, and market conditions.

There is a strong secondary market for the guaranteed portion of 7(a) loans. By selling these loan portions, banks can help manage liquidity issues, which can enable them to recycle funds for new loans or use the proceeds for other purposes. Banks typically sell the guaranteed portion of their 7(a) loans but have the ability to sell part of the un-guaranteed portion as well.

The 7(a) program provides a 50 to 85 percent federal guarantee on small business loans. If a loan defaults, the bank, after the liquidation of collateral, receives from the SBA the remaining unpaid principal and interest of the guaranteed loan portion on a pro-rata basis.

Some community and midsize banks with small legal lending limits may find the 7(a) program valuable for expanding their commercial lending business. The federally guaranteed portion of a SBA 7(a) loan does not count toward a bank's legal lending limit. By utilizing the 7(a) program, lenders can make larger loans to some customers that they might not otherwise be able to serve. The amount applied against the bank's legal lending limit is the un-guaranteed portion of the loan. If a bank's legal lending limit is \$500,000, the bank may make a \$2 million 7(a) loan if it has a 75 percent guarantee, because the guaranteed portion (\$1,500,000) is not included in the limit.

The strength of the 7(a) program is that it can be used for multiple purposes and is extremely flexible. Some banks sell the majority of these loans on the secondary market; others keep them on their books for balance sheet growth. Some banks combine these activities and use 7(a) loans to add to balance sheet growth and sell them when liquidity needs arise. The SBA 7(a) program can help commercial lenders meet a great range of customer needs. The program not only helps to supply credit to America's small businesses, but simultaneously assists banks with risk mitigation, liquidity management, and regulatory compliance.

The preceding was taken from the US Department of the Treasury, Comptroller of the Currency September 2008 newsletter.

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[wv clarksburg/
wv_processingctrpoc.pdf](http://www.clarksburg/wv_processingctrpoc.pdf)

[wv_processingctrpoc.pdf](http://www.clarksburg/wv_processingctrpoc.pdf)

SBA EXPORT FINANCING "WEBINAR"

FREE—FAST—FLEXIBLE

The U.S. Small Business Administration (SBA) is conducting an SBA Export Financing "Webinar" on Wednesday, November 12, 2008. The Webinar is designed to provide current and prospective small business exporters and SBA participating lenders with an overview of SBA's Export Finance Programs as well as an update on recent changes and developments. This is an excellent opportunity to learn the benefits of these programs and how to support export expansion by small and medium enterprises.

The Webinar, which participants can join from the comfort of their own office, will be held from 10:00 to 11:00 a.m. EST on Wednesday, November 12. There is no charge to participate in the event. Interested lenders and exporters should email Patrick Hayes at phayes@mail.doc.gov for Webinar access codes.



SMALL RURAL LENDER ADVANTAGE

SBA's newest program to promote economic development in local communities facing the challenges of population loss, high unemployment or economic dislocation is the **Small/Rural Lender Advantage Loan**. It is designed to encourage small community/rural lenders to partner with SBA by simplifying and streamlining the Agency's application process and procedures for smaller SBA loans.

Key Features include:
Maximum loan amount of \$350,000; Shorter, simplified application forms; Limited, but key financial documentation; 85% guarantee on \$150,000 or less; 75% guarantee on loans above \$150,000; Faster turn around.

Contact [Tom White](#) or [Emma Wilson](#) for details.

SBA ENCOURAGING LOAN DEFERMENT RELIEF

The SBA announced it is strongly encouraging its participating 7(a) lenders and Certified Development companies to work with business borrowers to provide them with the flexibility they need to keep their businesses running during these difficult economic times.

As access to credit and capital has tightened, many businesses face increased challenges in meeting their financial obligations. This is especially true of small businesses hit hard by the recent economic slowdown who are now unable to make payroll or purchase essential inventory.

SBA is reminding participating lenders they have the authority on a case-by-case basis to extend temporary payment relief for qualifying borrowers with 7(a) and 504 loans who are struggling to make their payments. If a deferment longer than three consecutive monthly payments is needed, lenders are encouraged to work closely with the SBA to identify the best solution.

The SBA is asking lenders not to broadly call borrower loans due to changing financial variables, such as fluctuations in personal credit scores, declining collateral values, and reduced home equity, which are currently affected by the disruption in the financial markets. SBA Notice 5000-1077, which encourages lenders to look at each case individually and work with each borrower to facilitate the longer term success of these small businesses, is posted on our financing web page and can be accessed at: www.sba.gov/idc/groups/public/documents/wv_clarksburg/wv_5000-1077.pdf.

CHANGES TO 7(A) AND 504 GUARANTY FEES

The fees for the 7(a) and 504 programs have been revised for fiscal year 2009.

For 7(a) loans approved on or after October 1, 2008, the "yearly fee" due from participants (Lenders) to SBA will be 0.55 percent (55 basis points) of the guaranteed portion of the outstanding balance on the 7(a) loan. In the 7(a) Authorization Wizard, this is referred to as the "ongoing service fee."

For 504 loans approved on or after October 1, 2008, the "ongoing guarantee fee" paid by borrowers to SBA will be reduced from 0.021 (2.1 basis points) of the outstanding balance of the 504 loan to zero basis points. In addition, the one-time guaranty fee that SBA is authorized to charge 504 borrowers remains at zero basis points.

Questions regarding these changes can be directed to Tom White (thomas.white@sba.gov) or Emma Wilson (emma.wilson@sba.gov).

ONLINE TRAINING FOR EXPORTERS

The SBA has developed a new online course to help small businesses explore exporting opportunities in international markets. **Global Enterprise: A Primer on Exporting** is a free, self-paced course that provides practical guidance on exploring international markets.

The new course is available on SBA's training site at www.sba.gov/training and can be accessed by clicking on "Free Online Courses," then selecting the first course listed under International Trade.

The course is a comprehensive training module using script and audio to provide fundamental information about selling in global markets. It illustrates how to identify international markets, develop an export strategy, make and receive international payments, and finance trade operations, plus guidance on determining a firm's readiness and suitability for exporting. The Exporting Primer includes more than 45 direct links to many key international resources.

The Export Primer course is one of nearly 30 online tutorials offered by the SBA on its virtual campus, the Small Business Training Network which covers a wide range of business related topics.

IRS OFFERS NEW WEB TOOLS FOR SMALL BUSINESSES

Two new IRS products make it easier for small businesses and the self-employed to locate the information they need on the IRS's official web site, www.irs.gov. These new products are part of a campaign to help educate new self-employed small business owners about federal tax responsibilities and about filing Schedule C, Profit or Loss from Business.

Publication 4667, Tax Information for Small Businesses and the Self-Employed, a free, laminated bookmark, provides Key Search Words to help them locate important tax information on the IRS web site quickly and easily. The bookmark can be ordered on the Small Business Products Online Ordering page at www.irs.gov/businesses/small/article/0..id=101169.00.html.

A new page on the IRS web site "[Self-Employed Individuals Tax Center](http://www.irs.gov/businesses/small/article/0..id=115045.00.html)," is a one-stop, starting point for small businesses and self-employed taxpayers who file Schedule C with their Form 1040 and provides links to information on the most common issues new business owners face. The direct URL is: www.irs.gov/businesses/small/article/0..id=115045.00.html.

SBA INCREASES FUNDING FOR 504 LOAN PROGRAM

Companies with a net worth of up to \$8.5 million and as much as \$3 million in annual earnings may borrow from the SBA 504 program.

The 504 program was created by Congress to help small businesses gain favorable financing terms and retain operating cash while expanding. Companies buy real estate, buildings and equipment with SBA 504 financing. A recent national study of the program stated companies that utilized the program return \$94 in tax revenue for every \$1 of SBA 504 funding they receive.

More information on the 504 program can be found at: <http://www.sba.gov/services/financialassistance/sbaloantopics/cdc504/index.html>, or contact Emma Wilson (emma.wilson@sba.gov) at (304) 347-5220 or Tom White (thomas.white@sba.gov) at (304) 623-5631 ext. 233.

RURAL & READY INITIATIVE

The WVDO is conducting extensive training on several aspects of doing business with the federal government. The events include workshops on government contracting certification programs, matchmaking, and how to get on the GSA schedule. If you have customers or clients looking to expand their business, which is especially important during the recent economic downturn, this is an excellent opportunity for them to learn about the process. Details and locations can be obtained by contacting Naomi Bassel at (304) 623-5631 ext. 225 (naomi.bassel@sba.gov) or by visiting our web site at www.sba.gov/wv (events listed under the Spotlight section).

Do you know...

- *A company on the rise?*
- *A small business that has staying power, has overcome adversity, or demonstrates creativity and imagination?*
- *A company that has made a real impact on West Virginia's economy?*
- *Someone who supports small business by going above and beyond the call of duty?*

Nominate

them for one of our prestigious Small Business Week awards.

Nomination forms and information is available under the Spotlight area of our web site at:

www.sba.gov/wv or contact Rick Haney (richard.haney@sba.gov) at (304) 623-5631 ext. 230.